

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 424 - SB 387

March 1, 2017

SUMMARY OF BILL: Decreases, from \$35.60 to \$15.77, the wholesale beer tax per barrel. Decreases, from \$4.29 to \$1.90, the special privilege tax on beer per barrel. Requires \$0.23 of the special privilege tax be allocated to the Highway Fund for programs for the prevention and collection of litter and trash.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – \$12,800/Department of Revenue

**Decrease State Revenue – \$6,593,000/General Fund
\$1,084,400/Highway Fund**

Decrease Local Revenue – \$81,736,700

Assumptions:

- Based on information from the Department of Revenue (DOR), the total number of beer barrels to be taxed in FY17-18 under the current tax rate is estimated to be approximately 4,080,000.
- Based on information provided by the DOR, the price elasticity of beer and decreasing the tax on beer barrels is expected to increase the total number of barrels taxed to 4,155,000.
- Wholesale beer tax collections are currently distributed as follows per barrel taxed: \$0.17 to the DOR, \$0.92 retained by the wholesaler or manufacturer, and \$34.51 distributed to local government.
- The amount retained by DOR and wholesalers and manufacturers will remain unchanged. The amount allocated to locals will be \$14.68 per barrel (\$15.77 - \$0.92 - \$0.17)
- The recurring increase in state revenue to DOR is estimated to be \$12,750 [(4,155,000 barrels x \$0.17) - (4,080,000 barrels x \$0.17)].
- The mandatory recurring decrease in local government revenue is estimated to be \$79,805,400 [(4,080,000 barrels x \$34.51) - (4,155,000 barrels x \$14.68)].
- Special privilege tax collections are distributed as follows: 79.9 percent to the state and 20.1 percent to local government.

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- Based on information provided by DOR, the current \$0.50 allocation to the Highway Fund comes from the state portion of tax revenue. This legislation changes the allocation to \$0.23.
- The recurring decrease in state special privilege tax collections to the General Fund is estimated to be \$6,593,001 $\{[(4,080,000 \text{ barrels} \times \$4.29 \times 79.9\%) - (4,080,000 \text{ barrels} \times \$0.50)] - [(4,155,000 \text{ barrels} \times \$1.90 \times 79.9\%) - (4,155,000 \text{ barrels} \times \$0.23)]\}$.
- The recurring decrease in state revenue to the Highway Fund is estimated to be \$1,084,350 $[(4,080,000 \text{ barrels} \times \$0.50) - (4,155,000 \times \$0.23)]$.
- The mandatory recurring decrease in local revenue is estimated to be \$1,931,349 $[(4,080,000 \text{ barrels} \times \$4.29 \times 20.1\%) - (4,155,000 \text{ barrels} \times \$1.90 \times 20.1\%)]$.
- The total mandatory recurring decrease in local revenue is estimated to be \$81,736,749 $(\$79,805,400 + \$1,931,349)$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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